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FISCAL IMPACT STATEMENT

LS 6696

BILL NUMBER: SB 246

NOTE PREPARED: Dec 14, 2006

BILL AMENDED:

SUBJECT: Oversight of Public Money.

FIRST AUTHOR: Sen. Mrvan

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill makes the following changes concerning oversight of public money:

- (1) It provides that municipal instrumentalities, local economic development organizations, and certain nonprofit corporations and charitable trusts (municipal benefit entity) are subject to audit by the State Board of Accounts (SBA).
- (2) This bill also permits a municipal benefit entity that receives public money to substitute an audit by the SBA with a private examiner approved by the SBA.
- (3) The bill requires a municipal benefit entity to submit an annual statement of accounts to a municipality contributing public money to the municipal benefit entity.
- (4) This bill makes a board member or chief governing officer of a municipal benefit entity personally responsible for recovering and making restitution for unlawful use of or expenditures from public money.
- (5) The bill requires salaries and expense reimbursement to board members or the chief governing officer of a municipal benefit entity to be reasonable.
- (6) This bill also permits the fiscal body of a municipality to limit the amount of public money that may be used to pay the salaries and expenses of a municipal benefit entity's board or governing officer to the amount determined reasonable by the fiscal body.

Effective Date: July 1, 2007.

Explanation of State Expenditures: This bill defines a "municipal benefit entity" (MBE) as any:

- (1) local economic development organization;
- (2) nonprofit charitable trust or nonprofit corporation that:
 - (A) gives grants to unrelated organizations, institutions, or individuals for scientific, educational, cultural, or other government and municipal purposes; and
 - (B) is maintained in whole or in part by public money or at the public expense; or
- (3) instrumentality of any county, township, city, town, school corporation, special taxing district, or other political subdivision of Indiana.

As used in this bill, public money means:

- (1) any appropriations of the state or a municipality;
- (2) any public funds;
- (3) taxes or other sources of public expense;
- (4) anything of any value that is from any of the following sources and would not otherwise qualify as public money:
 - (A) any interest in a grant, gift, donation, endowment, bequest, or trust that is transferred by a municipality;
 - (B) any agreement to share tax revenue received by a county or city under a riverboat gambling provision in IC 4-33-12-6 or IC 4-33-13;
 - (C) any other funds not generated from tax;
 - (D) any assistance or fees described in IC 5-28-15-5 (enterprise zones).

The definition of MBE excludes a public foundation for a nonpublic school (IC 20-18-2-12), state educational institution (IC 20-12-0.5-1), or private institution of higher education (IC20-12-63-3).

The bill provides that an MBE must be permitted to hire a private examiner, who is approved by the SBA, to perform an audit on the MBE and satisfy all other requirements under IC 5-11.

The bill also provides that an MBE must file a verified written certification with each municipality that has contributed public money. The certification must be signed, under penalty of perjury, by the members of the governing body and the chief executive officer of the MBE.

The verified written certification must contain certain items as listed in the bill, all of which relate to the MBE's use of public monies. The certification must also be available for inspection to any member of the public upon request.

The bill also provides that all compensation and reimbursement paid from public money to the members of the MBE's governing board or the MBE's CEO must be reasonable in relation to the duties performed and expenses incurred. The fiscal body of a contributing municipality may limit the amount of compensation and reimbursement which can be paid from public money to the board or CEO of the MBE.

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: State Board of Accounts.

Local Agencies Affected: All municipalities.

Information Sources:

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